Rx Price Watch

Price Decreases for Widely Used Generic Drugs Slow in 2017 after Two Years of Substantial Price Drops

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- Generic drugs have long been a means of helping consumers and payers reduce prescription drug costs, currently accounting for nearly 90 percent of all retail prescriptions filled in the United States.

- In 2017, retail prices for 390 widely used generic prescription drugs fell by an average of 9.3 percent. In contrast, the general inflation rate was 2.1 percent over the same period.
  — This followed two consecutive years (2015 and 2016) of substantial generic drug price decreases; the previous two consecutive years (2013 and 2014) saw increases in generic drug prices.

- All but 3 of the 390 generic prescription drug products in the study’s market basket had a retail price change in 2017.
  — 297 drug products (76 percent) experienced a price decrease, and the remaining 90 (23 percent) experienced a price increase.

- The average annual cost for a generic medication used on a chronic basis was $365 in 2017. On average, older Americans take 4.5 prescription drugs every month. Consequently, older adults who use generic prescription drugs are likely to have experienced an average annual retail cost of drug therapy of about $1,642 in 2017.
  — This amount is roughly 6 percent of the median income for Medicare beneficiaries.

- In 2017, the average annual price of therapy for widely used brand name prescription drugs was more than 18 times higher than the average annual price of therapy for generic prescription drugs ($6,798 v. $365, respectively). In 2013, the price differential between these same market baskets was substantially smaller ($4,308 vs. $751, respectively).

- The availability of economically competitive and lower-cost generic drugs will take on added importance as more brand name drugs and biologicals enter the market with unusually high prices.
Average Annual Cost of Therapy for Widely Used Generic Drugs is More Than 18 Times Lower than Cost of Therapy for Widely Used Brand Name Drugs in 2017

<table>
<thead>
<tr>
<th>Year</th>
<th>Generic Price</th>
<th>Brand Name Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>$4,308</td>
<td>$751</td>
</tr>
<tr>
<td>2014</td>
<td>$5,038</td>
<td>$634</td>
</tr>
<tr>
<td>2015</td>
<td>$5,856</td>
<td>$479</td>
</tr>
<tr>
<td>2016</td>
<td>$6,362</td>
<td>$434</td>
</tr>
<tr>
<td>2017</td>
<td>$6,798</td>
<td>$365</td>
</tr>
</tbody>
</table>

(Ratio of Brand Price: Generic Price)

Prepared by the AARP Public Policy Institute and the PRIME Institute, University of Minnesota, based on data from Truven Health MarketScan® Research Databases.

Average Annual Generic Drug Price Decrease Slows in 2017 after Two Consecutive Years of Substantial Price Decreases

Note: Calculations of the average annual generic drug price change include the 390 drug products most widely used by older Americans.

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